Exhibit No. 11
Date 1-23-09
Bill No.

MBPC
Montana Budget & Policy Center

Policy Brief
01/19/2009

Targeted Property Tax Relief

The Montana Department of Revenue is completing the most recent reappraisal of property values in the state. Based on the most current estimates provided by the Department, the appraisals are likely to result in a statewide average increase of approximately 56% in residential home values and 51% in commercial property. Agricultural land is expected to increase in value by an average of 32.13% and forestland by an average of 45.54% statewide. The Governor and leadership of both parties represented in the legislature have expressed a commitment to keeping property tax revenue neutral as a result of the reappraisals[1] and to mitigate the effects of increased property values on taxpayers. Efforts should be taken to ensure that any proposed property tax mitigation is targeted effectively towards those individuals and families least able to pay increased property taxes, namely those who pay an unduly high share of their income in property taxes.

Background on Property Taxes in Montana

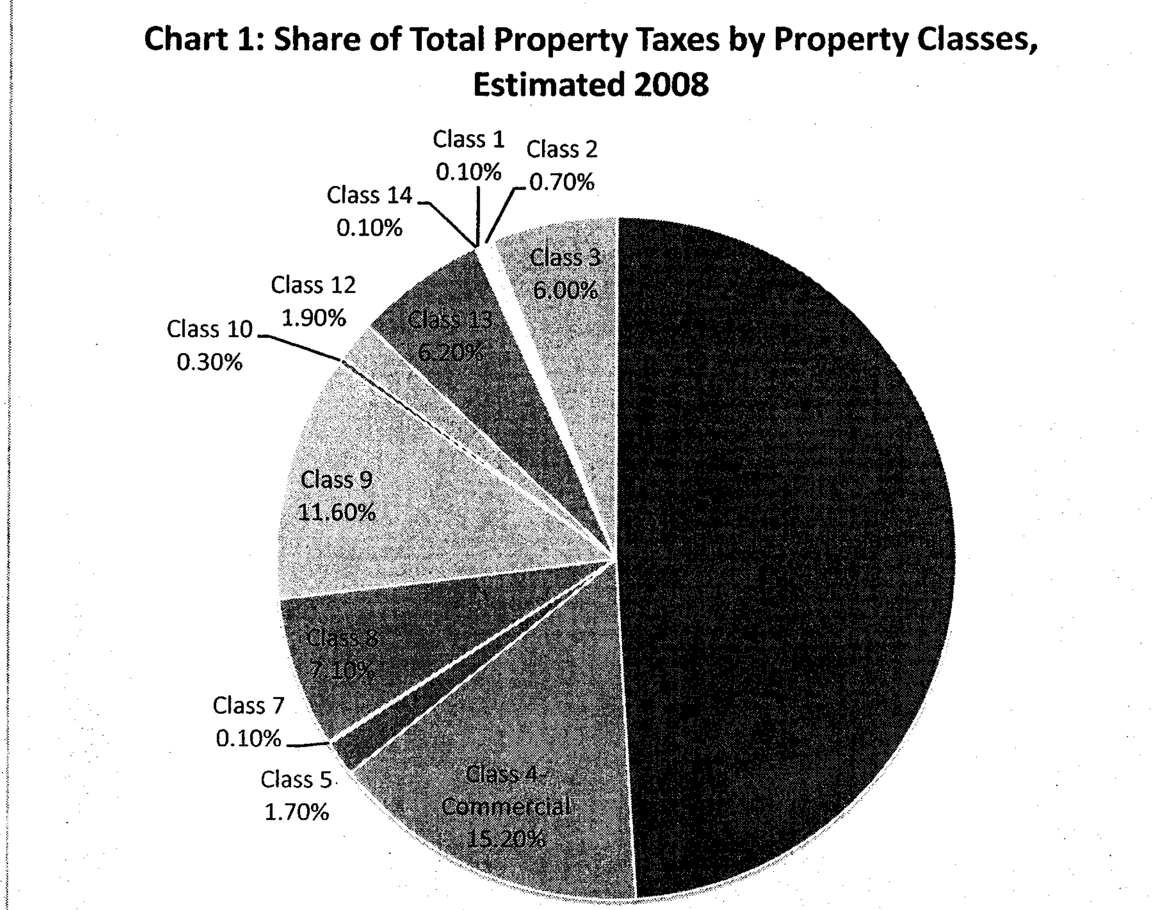
All property is appraised, or valued, centrally in Montana by the Department of Revenue. The Department of Revenue is required by law to re-appraise the property every six years to ensure that the values reflect current market conditions. The Department is in the final stages of completing the most current reappraisal effort to be applied to 2009 property taxes.

Montana has 12 different "classes" of property (See Appendix A for a complete list of property classes.). State and local property taxes collected in Montana make up approximately 13% of our total state and local revenue.[2]

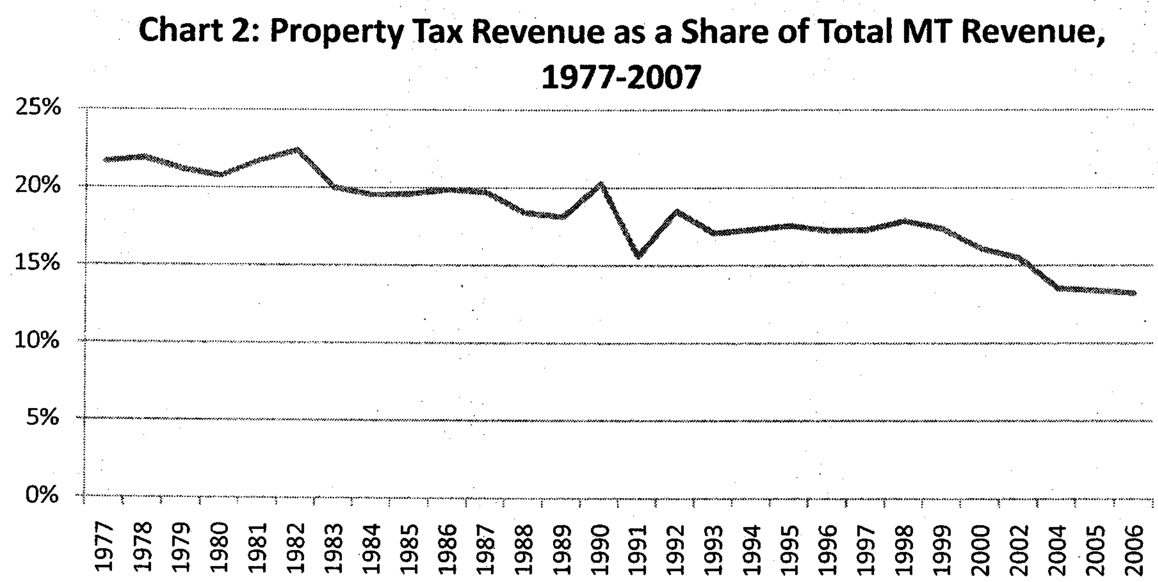
This policy brief focuses primarily on "Class 4 Residential" property. **Class 4 Residential property made up an estimated 49% of all property taxes paid in 2008** (Chart 1).

[1] For a critique of property tax revenue caps see, Karen Lyons and Iris J. Lav, "The Problems with Property Tax Revenue Caps," Center on Budget and Policy Priorities, June 2007 at http://www.cbpp.org/6-21-07sfp.pdf.
[2] State & Local Government Finance Data Query System. http://www.taxpolicycenter.org/slf-dqs/pages.cfm. The Urban Institute-Brookings Institution Tax Policy Center. Data from U.S. Census Bureau, Annual Survey of State and Local Government Finances, Government Finances, Volume 4, and Census of Governments (2006). Date of Access: (17-Jan-09 07:09 PM)

 406.422.7320 *f.* 406.449.0602 *e.* tveazey@montanabudget.org *a.* 910 E. Lyndale, Ste. A, Helena, MT 59601

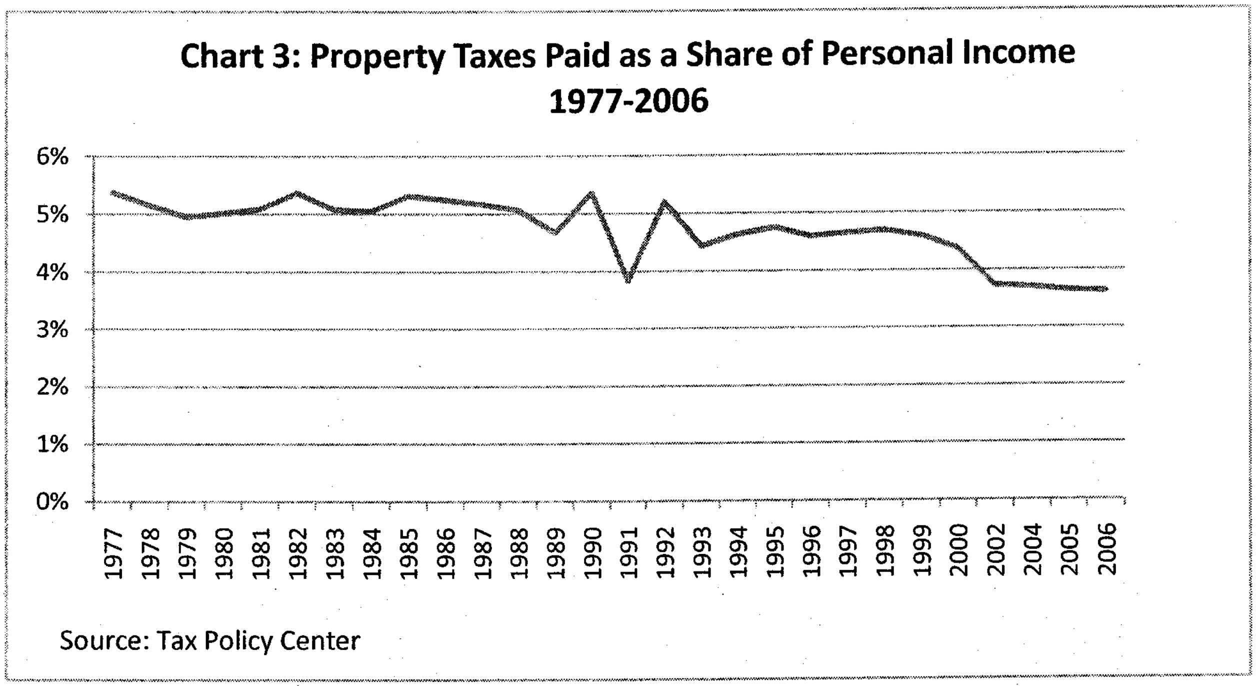


Over time, **<u>total property tax revenue has declined as a share of total state and local revenue (Chart 2) and as a share of personal income in Montana</u>** (Chart 3).

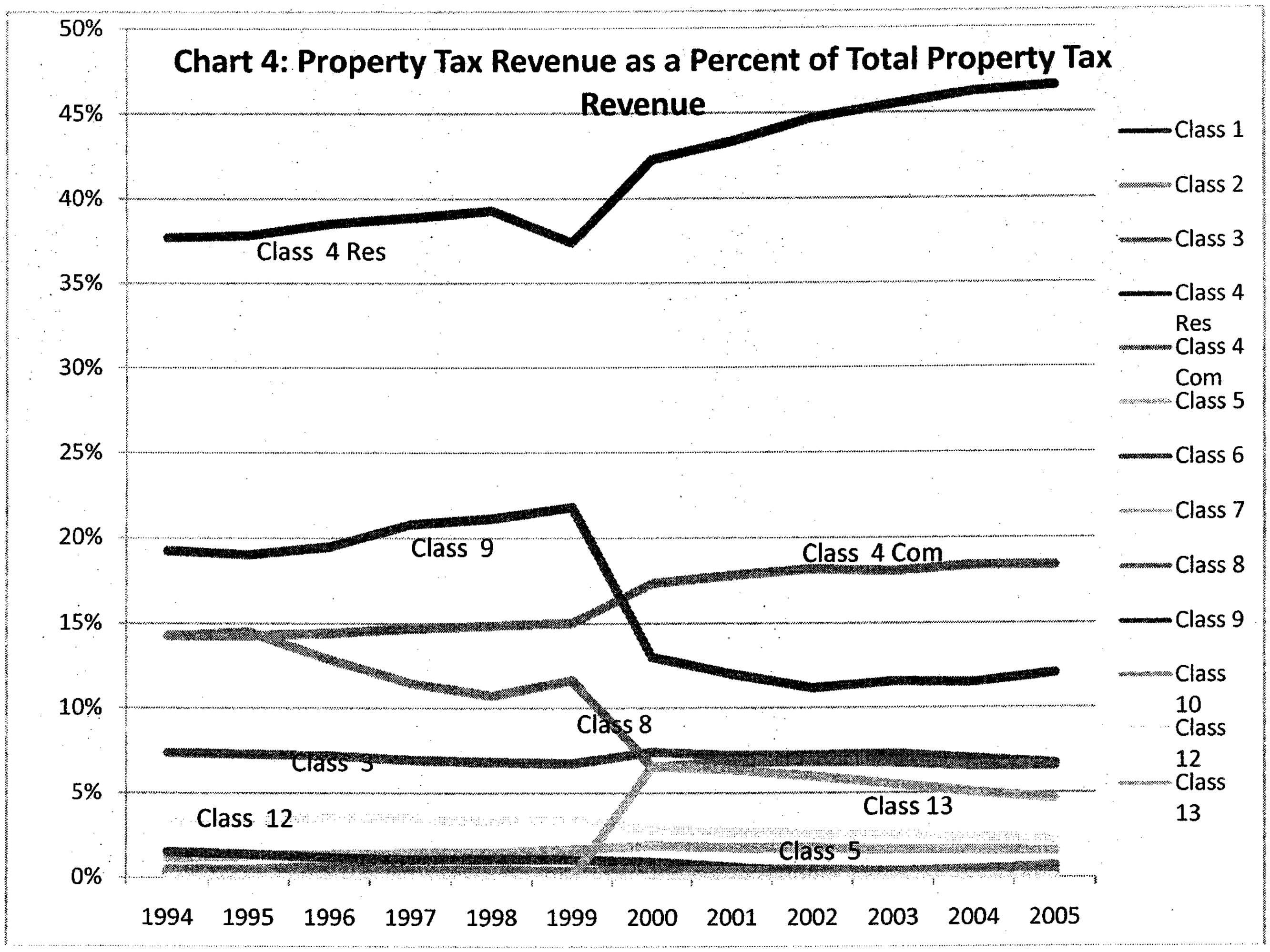


Source: State & Local Government Finance Data Query System. The Urban Institute-Brookings Institution Tax Policy Center. Data from U.S. Census Bureau, Annual Survey of State and Local Government Finances, Government Finances, Volume 4, and Census of Governments . Date of Access: (16-Jan-09 04:56 PM) [Hereinafter "Tax Policy Center."]

 406.422.7320 *f.* 406.449.0602 *e.* tveazey@montanabudget.org *a.* 910 E. Lyndale, Ste. A, Helena, MT 59601



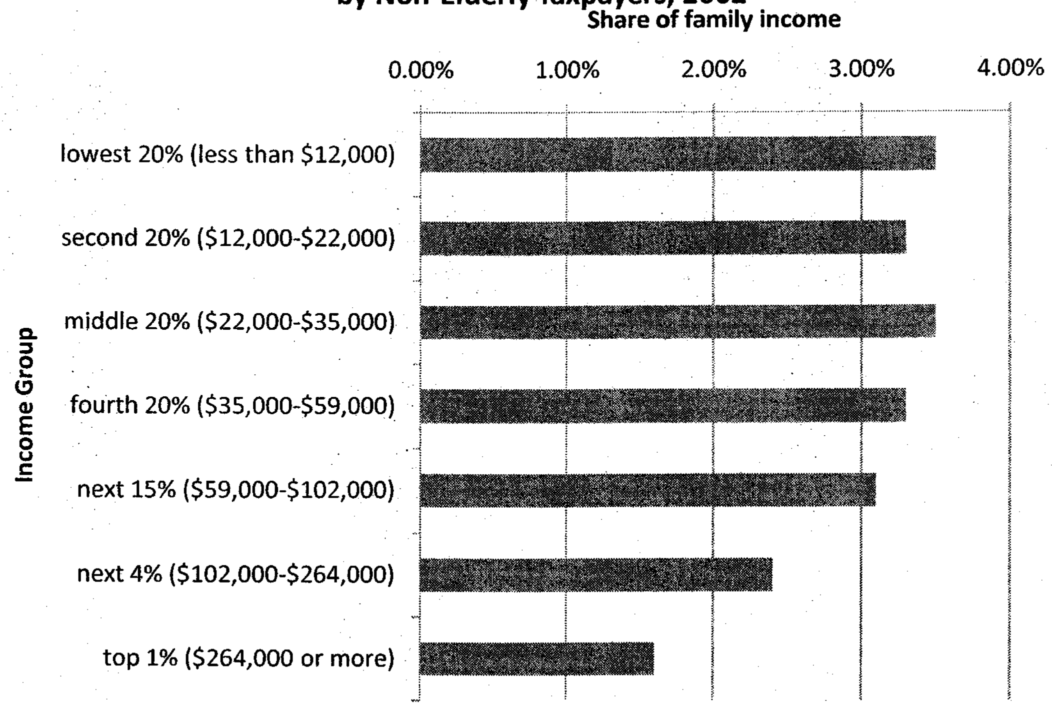
In addition, **Montana homeowners have seen an increase in the share of property taxes they pay compared to other classes of property** (Chart 4).



 406.422.7320 *f.* 406.449.0602 *e.* tveazey@montanabudget.org *a.* 910 E. Lyndale, Ste. A, Helena, MT 59601

Like most property tax systems, Montana has a regressive property tax, **meaning that on average higher-income households pay a smaller share of their income in property taxes than lower-income or middle-income households**. Property taxes tend to be regressive because they do not take into account a homeowner's income, or ability to pay, and housing costs tend to be larger in proportion to the income of low-income households than to high-income households. For example, a family making $50,000 a year may own a home costing $150,000, or three times their income, while a family making $1 million per year may own a home costing $500,000, or one-half of their income. Therefore, the property taxes paid by the low-income household will represent a greater proportion of their family income than the property taxes paid by the high-income household. In addition, a portion of the property taxes paid on rental properties is paid by renters because the taxes are "passed through" by the landlords when setting the rent amount. The passed through property taxes paid by renters tend to represent a higher share of their income than for wealthy taxpayers.

Chart 5: Share of Family Income Paid in Property Taxes by Non-Elderly Taxpayers, 2002



Source: Institute on Taxation & Economic Policy, January 2003.

Finally, state and local property taxes can be included as an itemized deduction on federal and state tax returns, and taxpayers with higher incomes tend to use itemized deductions more often than taxpayers with lower incomes.[3] For these wealthier households, a share of their property taxes paid is recouped in the form of reduced federal and state taxes. (*Note:* Chart 5 does *not* take into account the reduced effective rate paid by higher-income households as result of the federal itemized deduction for property taxes.)

[3] *See* Montana Department of Revenue, 2008 Biennial Report, p. 49 (In 2007, 26% of households in the lowest income decile itemized their deductions, while 97% of households in the top income decile itemized their deductions.)

 406.422.7320 *f.* 406.449.0602 *e.* tveazey@montanabudget.org *a.* 910 E. Lyndale, Ste. A, Helena, MT 59601

How Does the Property Tax System Work for Class 4 Residential Property?

The periodic appraisals by the Department of Revenue determine the **market value** for each piece of taxable property in the state. Unless mitigation occurs, a **tax rate**, set by the legislature for each class of property, is applied to the market value to determine the **taxable value** of the property. State and local **mill levies** are then applied to the taxable value of the property to determine the amount of property taxes owed. A mill levy is a tax rate per thousand dollars of taxable value of property. For example, the 6 mill levy that helps pay the cost of our university operations is applied to the taxable value of property at a rate of 6/1000, .006, or.6%. In total, the state imposes five different mill levies totaling 101 mills.[4]

Example: Determining State Property Taxes on a Residence

The statutory tax rate for residential property in 2008 was 3.01%. Therefore, assuming there are no exemptions on the property, in 2008 a home with a market value of $100,000 would have a taxable value of $3,010:

market value =	$100,000
x tax rate =	x .0301
taxable value =	$3010.

The state property taxes owed on the property would be $304.01:

taxable value =	$3,010
x 101 statewide mills =	x .101
state property taxes owed =	$304.01.

In addition to the state mills, local cities and counties apply mill levies to the property within their jurisdiction to help fund local government functions, from schools to police and fire protection. In 2008, an average of 538 mills was applied to all classes of property in the state.

Background on Property Tax Mitigation in Montana

Typically, when property is reappraised in Montana, the legislature passes laws to mitigate the effect of the higher property values on taxpayers. For example, after the last reappraisal, the 2003 Legislature passed a law that allowed for:

- the phasing in of the higher property values over a six year period for property classes 3 (agricultural land), 4 (residential and commercial), and 10 (forestland);
- reduced tax rates for classes 3 and 4 in each of the six years (from 3.46% in 2002 to 3.01% in 2008); and
- increases in the **homestead and comstead exemptions**, which exempt from taxation a certain percentage of class 4 residential and commercial property respectively, over the six year period.

[4] An additional 1.5 mill is applied to properties in the five counties with colleges of technology affiliated with the Montana University system.

 406.422.7320 *f.* 406.449.0602 *e.* tveazey@montanabudget.org *a.* 910 E. Lyndale, Ste. A, Helena, MT 59601

The following box shows the three mitigation factors for each of the six years in the reappraisal cycle:

Year	Tax Rate	Homestead Exemption Rate	Comstead Exemption Rate
2002 (before mitigation)	3.46%	31.00%	13.00%
2003	3.40%	31.00%	13.00%
2004	3.30%	31.40%	13.30%
2005	3.22%	32.00%	13.80%
2006	3.14%	32.60%	14.20%
2007	3.07%	33.20%	14.60%
2008	3.01%	34.00%	15.00%

Example: Determining Taxable Value on a Residence with Mitigation

For example, if a house with a previous market value of $100,000 was reappraised in 2002 at $160,000, the following table shows the calculation of taxable value for each year of the six year appraisal cycle:

Year	Market Value	Phased-In Assessed Value	Exemption Rate	Assessed Value After Exemption	Tax Rate	Taxable Value
2002	$100,000	$100,000	31.00%	$69,000	3.46%	$2387.40
2003	$160,000	$110,000	31.00%	$75,900	3.40%	$2580.60
2004	$160,000	$120,000	31.40%	$82,320	3.30%	$2716.56
2005	$160,000	$130,000	32.00%	$88,400	3.22%	$2846.48
2006	$160,000	$140,000	32.60%	$94,360	3.14%	$2962.90
2007	$160,000	$150,000	33.20%	$100,200	3.07%	$3076.14
2008	$160,000	$160,000	34.00%	$105,600	3.01%	$3178.56

Without mitigation, the taxable value of the property for years 2003 through 2008, with fully phased-in market value of $160,000, a constant exemption rate of 31%, and a constant tax rate of 3.46% would have been $3,819.84.

Limitation of this Approach

This mitigation method of phasing in values, decreasing tax rates, and increasing exemptions is complicated and hence difficult for constituents to understand and evaluate. In addition, the mitigation **fails to adequately target those most in need of property tax mitigation, namely homeowners for whom increased property taxes would be unduly high in relation to their income.**

 406.422.7320 *f.* 406.449.0602 *e.* tveazey@montanabudget.org *a.* 910 E. Lyndale, Ste. A, Helena, MT 59601

Property tax obligations can be burdensome in relation to taxpayers' income for several reasons:

- Homeowners and renters who have relatively steady incomes may see a rapid increase in property values in their communities, resulting in higher property taxes which then take up a greater share of their incomes;
- Low-income homeowners and renters tend to have higher housing costs in proportion to their income than more affluent homeowners; because the value of these taxpayers' property is higher in relation to their income, so too is their property tax obligation; and
- Homeowners and renters may occasionally experience a sudden decline in income, for example, because of a sickness or loss of job; as the total household income declines, the property tax obligation takes up a greater share of that income.

Rather than focusing on these households, whose property tax payments are an unduly high share of their income, the across the board rate cuts and exemption increases apply equally to a wealthy out-of-state vacation property owner and an elderly long-term homeowner. . **By applying the mitigation to high-income homeowners who have a greater ability to pay a larger share of increased taxes reflecting the increased value of their assets, Montana loses revenue that it could use to either further protect homeowners with limited income suffering from increased property tax obligations or to invest in our other common priorities during a time of economic downturn and revenue uncertainty.**

What is a Circuit Breaker?

Circuit breakers are programs enacted by states and localities to protect those homeowners who, without the programs, would suffer from unduly burdensome property taxes in relation to their income.[5] A circuit breaker is an efficient and effective mechanism for targeting property tax mitigation towards those homeowners most unable to keep up with rising property taxes. Eighteen states, including Montana, currently have some form of circuit breaker in place. Montana's only current circuit breaker is the Elderly Homeowner/Renter Credit. **Although there is much variety between circuit breaker programs throughout the country, they typically share the following two characteristics:**

- **The state determines a maximum proportion of income that a homeowner is expected to pay in property taxes. This ratio varies from state to state.[6]**
- **Any property tax payment that exceeds this ratio for a homeowner is rebated in part or whole to the taxpayer.**

> *"Property tax circuit breakers, like the electrical devices that shut off electric power to prevent circuits from overloading, prevent property taxes from 'overloading' a family's budget by 'shutting off' property taxes once they exceed a certain share of the family's income."*
>
> Center on Budget and Policy Priorities ("The Property Tax Circuit Breaker: An Introduction and Survey of Current Programs," March 2007).

[5] Karen Lyons, Sarah Farkas, and Nicholas Johnson, "The Property Tax Circuit Breaker: An Introduction and Survey of Current Programs." Center on Budget and Policy Priorities, March 2007.

[6] The Montana Elderly Homeowner/Renter Credit is not a pure circuit breaker because it doesn't set a maximum proportion of income that a taxpayer should pay in property taxes but the amount of the credit is tied to the households' income.

In general, circuit breakers are designed to assist homeowners who pay a high share of their income in property taxes whether because of high housing costs in relation to income, steady incomes and rising home values, or declining incomes and steady home values.

Considerations in Designing a Circuit Breaker

Should Eligibility be Limited to Certain Classes?

The most comprehensive circuit breakers are based entirely on the percentage of income paid in property taxes without differentiating between different classes of taxpayers. Ten of the eighteen states with circuit breakers make them available to all classes of homeowners and renters, thereby acknowledging that a portion of property taxes get passed on to renters in the form of higher rent. However, several states do make eligibility distinctions based on the following classes:

- Renters
- Homeowners
- Elderly
- Disabled

States offering circuit breakers to renters differ in the portion of rent they impute to property taxes. This portion is generally referred to as the "property tax rent equivalent" and varies form 6% to 25% of rent.

What Percentage of Income Paid in Property Taxes Should Trigger the Circuit Breaker? And Should the Percentage Vary by Income?

Among the states that offer circuit breakers to all homeowners and renters, the circuit breakers are set to trigger at varying ratios of property taxes to income, from 1% to 10% of income. The ratio represents the collective judgment of the governing body regarding how high a portion of income spent on property taxes is unduly burdensome. The lower the ratio is, the greater the number of households benefiting from the credit.

Some states vary the rent/income ratio depending on the taxpayer's income. For example, in Maryland, a household with income less than $8,000 becomes eligible when their property taxes are 0% of their income. In other words, 100% of their property taxes are refunded. Households with income between $8,000 and $12,000 become eligible for the circuit breaker when their property taxes are 4% of their income. Households with income between $12,000 and $16,000 become eligible when their property taxes are 6.5% of their income. Households with income over $16,000 become eligible when their property taxes make up 9% of their income.

Should the Circuit Breaker Refund the Entire Amount of Property Taxes Paid over the Determined Percentage of Income? Should There Be a Maximum Benefit Amount?

States also differ in whether they refund the entire amount or just a portion of the property taxes paid over the established property tax to income ratio. States refund anywhere from 25% to 100% of the amount paid in excess of the ratio. In some states, the percentage refunded also depends on the income of the household, with a greater percentage refunded for lower-income families.

Even the states that pay 100% of the property taxes paid over the property tax/income ratio set a maximum benefit amount. The maximum benefit varies from a low of $200 (Oklahoma) to a high of $2000 (Maine.)

Should There Be an Income Ceiling for Eligibility?

All circuit breaker programs currently in existence have a maximum income eligibility ceiling. However, state programs vary widely on how high the income ceiling is set, from $10,000 in Oregon to $200,000 in New Jersey.

How Should the Circuit Breaker Be Administered?

All circuit breakers are administered as a refund of property taxes paid. However, about half of the existing circuit breaker programs are administered through the income tax system and the other half as stand alone systems. The benefit of administering the refund through the income tax system is that it is easy and efficient for both the taxpayer and the state. The limitation of this approach is that it is less obvious to taxpayers that the refund is for property taxes paid. In comparison, a stand alone refund program can more easily make the connection between the refund and the property tax system. The primary disadvantage of a stand-alone program is that it is generally harder to get information about the program to all taxpayers and thus these programs tend to have lower participation rates. Maryland has a unique mechanism for administering its circuit breaker program, with refunds from the previous year applied directly to the homeowner's property tax bill the following year.

Outstanding Questions:

1. How were the benefits of the 2003 mitigation distributed?
   - By income decile?
   - By home value?
   - By primary versus non-primary home?
   - By residents and non-residents?

2. What are the possibilities for designing a circuit breaker program with revenue neutrality in relation to the following factors?
   - Classes of taxpayers eligible
   - Property tax to income ratios
   - Percentage of excessive property taxes refunded
   - Maximum benefit amount
   - Income ceiling

3. How would a circuit breaker impact local counties?

4. Would the state compensate localities suffering lost revenue as a result of the circuit breaker?

Appendix A
List of Property Classes in Montana

Property Class	Description	Percent Share of Total Property Tax Rev.
1	Net proceeds of mines and mining claims except coal and metal	.01%
2	Gross proceeds of metal mines	1.2%
3	Agricultural land Non-productive patented mining claims Non-qualified agricultural land	6.42%
4	Residential, commercial, industrial lands and improvements, incl. improvements on agricultural lands One acre homesteads on agricultural, forest, and non-qualified land Mobile/manufactured homes Golf courses	64.89%
5	Air and water pollution control equipment Independent and rural electric telephone cooperatives Real and personal property of "new industries" Machinery and equipment used in electrolytic reduction facilities Real and personal property of research and development firms Real and personal property used in the production of gasohol	1.5%
7	Non-centrally assessed utilities	.01%
8	Business equipment (a business with less than $20,000 in equipment is exempt)	6.92%
9	All property of pipelines and the non-electric generating property of electric utilities	11.94%
10	Forestland	.3%
12	All property of railroads and airlines	2.01%
13	All property of telecommunication utilities and the electric generating property of electric utilities	4.81%
14	Commercial wind generation facilities	.01%

 406.422.7320 *f.* 406.449.0602 *e.* tveazey@montanabudget.org *a.* 910 E. Lyndale, Ste. A, Helena, MT 59601

Source for all of the following tables: Karen Lyons, Sarah Farkas, and Nicholas Johnson, "The Property Tax Circuit Breaker: An Introduction and Survey of Current Programs." Center on Budget and Policy Priorities, March 2007

TABLE 1. GENERAL ELIGIBILITY REQUIREMENTS FOR STATE CIRCUIT BREAKER PROGRAMS

	Limited to Seniors and People with Disabilities (8 states)	Available to All (10 states)
Homeowners & Renters (16 states)	Illinois Massachusetts Missouri Montana New Mexico Pennsylvania	District of Columbia Maine Maryland Michigan Minnesota New Jersey* New York Rhode Island Vermont** Wisconsin
Homeowners (1 state)	Oklahoma	
Renters Only (1 state)	Oregon	
No Circuit Breaker (32 states)	Arizona Alabama Alaska Arkansas California Colorado Connecticut Delaware Florida Georgia Hawaii Idaho Indiana Iowa Kansas Kentucky Louisiana	Mississippi Nebraska Nevada New Hampshire North Carolina North Dakota Ohio South Carolina South Dakota Tennessee Texas Utah Virginia Washington West Virginia Wyoming

TABLE 2. PROPERTY TAX RENT EQUIVALENTS IN STATE CIRCUIT BREAKER PROGRAMS FOR RENTERS		
State	**Program Name**	**Property Tax Rent Equivalent***
DC	Individual Income Property Tax Credit	15% of rent paid
IL	Circuit Breaker	25% of rent paid
ME	Maine Residents Property Tax and Rent "Circuit Breaker" Refund	20% of rent paid
MD	Renters' Tax Credit Program	15% of rent paid
MA	Circuit Breaker Credit	25% of rent paid
MI	Homestead Property Tax Credit	20% of rent paid
MN	Property Tax Refund	19% of rent paid
MO	Property Tax Credit Claim	20% of rent paid
MT	Elderly Renter Credit	15% of rent paid
NJ	FAIR Rebate	18% of rent paid if tenant is 65 or older or disabled
NM	Property Tax Rebate	6% of rent paid
NY	Real Property Tax Credit for Homeowners and Renters	25% of rent paid
OR	Elderly Rental Assistance Program	None specified
PA	Property Tax/Rent Rebate	Varies; amount of rent refunded ranges from 20% for incomes below $5,500 to 2% for incomes between $13,000 and $15,000.
RI	Property Tax Relief Credit	20% of rent paid
VT	Property Tax Rebate	21% of rent paid
WI	Homestead Credit	25% of rent paid

* Figures listed assume that utilities are not included in rent payment. States typically adjust this figure if heat and/or other utilities are included.

TABLE 3. INCOME ELIGIBILITY LIMITS FOR STATE CIRCUIT BREAKER PROGRAMS		
Income Limit	**Limited to Seniors and People with Disabilities**	**Available to All**
$0 – 9,999		
$10,000 – 19,999	NM, OK*, OR**, PA	NY
$20,000 – 29,999	MO	DC, WI
$30,000 – 39,999	IL	RI
$40,000 – 49,999	MT	
$50,000 – 59,999	MA	
$60,000 – 69,999		MD
$70,000 or more		ME, MI, MN, NJ, VT***

* Program only for homeowners
** Program only for renters only
*** This is the income ceiling for the Education Property Tax Payment ("Prebate"). Vermont's other program—Property Tax Rebate—has an income ceiling of $47,000.

TABLE 4. MAXIMUM BENEFIT AMOUNTS FOR STATE CIRCUIT BREAKER PROGRAMS		
Maximum Annual Benefit	**Limited to Seniors and People with Disabilities**	**Available to All**
$0 – 199		
$200 – 399	NM, OK	NY**, RI
$400 – 599	PA	
$600 – 799	IL, MO	MD***, DC
$800 – 999	MA	
$1,000 – 1,199	MT	WI
$1,200 – 1,399		MI, NJ*
$1,400 or more	OR	ME, MN*
No specified limit		VT

* Renter credit is lower: MN is $1,350 and NJ is $824
**Maximum benefit is for people over 65; under 65 get a flat credit of $75.
*** Maximum benefit is for renters; there is no specified maximum benefit for homeowners

TABLE 5. SUMMARY OF PROPERTY TAX CIRCUIT BREAKER PROGRAMS FOR 2006 (TY 2005) *Note: (h) refers to homeowners and (r) refers to renters*							
State	**Program Name**	**Renters Eligible?**	**Eligibility**	**Household Income Ceiling (single/ joint filer)**	**Maximum Benefit**	**Type of Rebate**	**Rebates as a % of Property Tax Collections (2004)**
DC	Individual Income Property Tax Credit	Yes	All	$20,000	$750	Income tax credit (filers) or rebate check (nonfilers)	0.94%
IL	Circuit Breaker	Yes	Age 65 and older, 16 and older and disabled, or surviving spouse 63 or older	$21,218 (1 person household); $28,480(2 person household); $35,740(3 person household)	$700	Rebate check	0.77%
ME	Maine Residents Property Tax and Rent "Circuit Breaker" Refund	Yes	All	$77,000/$102,000	$2,000	Rebate check	1.11%
MD	Homeowners' Property Tax Credit Program/Renters' Tax Credit Program	Yes-applicants under age 60 must have at least one dependent under 18 living with them	All	$60,000 & $200,000 net worth (excluding home) (h); $38,659 (renters under 60 in 9 person household); $30,000 (renters over 60)	Amount by which property taxes (based on no more than $300,000 of assessment) exceed established "Tax Limits" (h); $600 (r)	Property tax credit (h); rebate check (r)	0.71%
MA	Real Estate Tax Credit for Persons 65 and Older (Circuit Breaker Credit)	Yes	Age 65 and older	$45,000 ($58,000 if head of household)/$67,00; assessed value of principal residence cannot exceed $600,000	$840	Income tax credit	0.22%
MI	Homestead Property Tax Credit	Yes	All	$82,650	$1,200	Income tax credit (filers) or rebate check (nonfilers)	6.52%
MN	Property Tax Refund	Yes	All	$87,780 (h); $47,350 (r)	$1,640 (h); $1,350 (r)	Rebate check	6.03%

 406.422.7320 *f.* 406.449.0602 *e.* tveazey@montanabudget.org *a.* 910 E. Lyndale, Ste. A, Helena, MT 59601

TABLE 5. SUMMARY OF PROPERTY TAX CIRCUIT BREAKER PROGRAMS FOR 2006 (TY 2005) - Continued							
State	**Program Name**	**Renters Eligible?**	**Eligibility**	**Household Income Ceiling (single/ joint filer)**	**Maximum Benefit**	**Type of Rebate**	**Cost as % of Prop Tax Collections (2004)**
MO	Property Tax Credit Claim	Yes	Age 65 and older, disabled, or age 60 and older receiving surviving spousal Social Security	$25,000/$27,000	$750 (h); lesser of 20% rent paid or $750 (r)	Rebate check	2.22%
MT	Elderly Homeowner/ Renter Credit	Yes	Age 62 and older	$45,000	$1,000	Income tax credit (filers) or rebate check (nonfilers)	1.27%
NJ	FAIR Rebate	Yes	All (h); age 65 or older (r)	$200,000 (h); $100,000 (r)	$1,200 (h); $825 (r)	Rebate check	5.64%
NM	Property Tax Rebate	Yes	Age 65 and older	$16,000	$250	Income tax credit	0.46%
NY	Real Property Tax Credit for Homeowners and Renters	Yes- average monthly rent must be $450 or less	All	$18,000; market value of home must not exceed $85,000	$375 (age 65 and older); $75 (under 65)	Income tax credit (filers) or rebate check (nonfilers)	0.09%
OK	Property Tax Refund	No	Age 65 and older or disabled	$12,000	$200	Rebate check	0.02%
OR	Elderly Rental Assistance Program	Yes- must have paid more than 20% of income for rent, fuel, and utilities	Renters only, age 58 and older	$10,000; asset limit of $25,000 if under age 65, no limit if over 65	$2,100	Rebate check	0.06%
PA	Property Tax/Rent Rebate Program	Yes	Age 65 and older, spouse age 65 or older, disabled, or widow age 50 and older	$15,000	$500	Rebate check	0.99%

 406.422.7320 *f.* 406.449.0602 *e.* tveazey@montanabudget.org *a.* 910 E. Lyndale, Ste. A, Helena, MT 59601

TABLE 5. SUMMARY OF PROPERTY TAX CIRCUIT BREAKER PROGRAMS FOR 2006 (TY 2005) - Continued							
State	**Program Name**	**Renters Eligible?**	**Eligibility**	**Household Income Ceiling (single/ joint filer)**	**Maximum Benefit**	**Type of Rebate**	**Cost as % of Prop Tax Collections (2004)**
RI	Property Tax Relief Credit	Yes	All	$30,000	$250	Income tax credit (filers) or rebate check (nonfilers)	.34%
VT	Property Tax Rebate	Yes	All	$47,000	None- state rebates the difference between a maximum percentage of income claimant expected to pay in property taxes (3.5% -5.0%, depending on income) and the amount of property taxes actually owed	Income tax credit (filers) or rebate check (nonfilers)	3.30%
	Education Property Tax Payment ("Prebate")	No	All	$110,000	None- state rebates difference between maximum percentage of income claimant is expected to pay in school property taxes (2.0-4.5%, depending on income) and the projected amount of school property taxes owed (State provides $15,000 homestead exemption for lowest-income)	Rebate Check	8.06%
WI	Homestead Credit	Yes	All	$24,500	$1,160	Income tax credit (filers) or rebate check (nonfilers)	1.69%

TABLE 6: FORMULAS FOR CIRCUIT BREAKERS AVAILABLE TO ALL HOMEOWNERS AND RENTERS (Example of calculation is for a 4-person family at the federal poverty line of $19,971, except the New York calculation, which uses a 4-person family earning $17,000)*	
State	**Credit and Percentage of Income**
DC	Credit equals 75% to 95% of the amount by which property taxes exceed 1.0% to 4.0% of income. • Credit =.75 * (property tax – 035*income)
ME	Credit equals 50% of the amount by which property taxes exceed 4% to 8% of income. Credit equals 100% of the amount by which property taxes exceed 8% of income. • If paying 5% of income in property tax, credit =.50 * (property tax – .04* income) • If paying 9 % of income in property taxes, credit = .50 * (.08*income – .04*income) + (property tax – .08*income)
MD	Credit equals the total amount by which property taxes exceed 0% to 9% of income, according to the following formula: 0% of the first $8,000 of the combined household income; 4% of the next $4,000 of income; 6.5% of the next $4,000 of income; and 9% of all income above $16,000. • Credit = property tax-((4000*.04) + (4000*.065) + ((income-16,000)*.09))
MI	Credit equals 60% of the amount by which property taxes exceed 3.5% of income. The credit is reduced by 10% for every $1,000 that income exceeds $73,650. • Credit = .60 * (property tax - .035*income)
MN	Credit equals 50% to 90% of the amount by which property taxes exceed 1% to 4% of income. • Credit = .65 * (property tax –.022*income)
NJ	Credit equals total amount by which property taxes exceed 5% of income. • Credit – property tax – .05*income
NY	Credit equals 25% to 50% of the amount by which property taxes exceed 3.5% to 6.5% of income. • Credit = .50 * (property tax .065*income)
RI	Credit equals the total amount by which property taxes exceed 3% to 6% of income. • Credit= property tax – .06*income
VT	Credit equals the total amount by which property taxes exceed 3.5% to 5% of income. • Credit = property tax – .035*income
WI	For taxpayers with income < $8,000, credit equals 80% of property taxes. For taxpayers with income > $8,000, credit equals 80% of the amount by which property taxes exceed 8.788% of income over $8,000. • Credit = .80 * (property tax – .08788*(income-$8,000))

* New York's income limit is $18,000, so a family at the federal poverty line does not qualify for the program.

 406.422.7320 *f.* 406.449.0602 *e.* tveazey@montanabudget.org *a.* 910 E. Lyndale, Ste. A, Helena, MT 59601